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Office of the Legislative Auditor

State of Montana

Report to the Legislature

May 1991

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1990

Western Montana College of the University of Montana

This report contains recommendations for improvement in the college's operations. Items addressed in the report include:

- Reversions.
- Accounts receivable.
- Safeguarding cash change funds.
- Property accounting and control.
- Federal assistance.

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Financial-Compliance Audit

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Performance Audit

May 1991

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on Western Montana College of the University of Montana for the two fiscal years ended June 30, 1990. Included in this report are recommendations concerning reversions, accounts receivable, property accounting and control, safeguarding cash change funds, the 1966 revenue bond and federal assistance. The college's response is contained at the end of the report.

We thank Western Montana College officials and their staff for their assistance and cooperation.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1990

Western Montana College of the University of Montana

Members of the audit staff involved in this audit were Christine M. Damuth, Rebecca Dorwart, Laurie Evans, Renee Foster, Boyd D. Gackle, Wayne D. Guazzo, Charles V. Jensen, Jim Manning, Catherine L. Scarff.

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Board of Regents of Higher Education			Term Expires
	Stan Stephens, Governor*		1992
	Nancy Keenan, Superintendent of Public Instruction*		1992
	William L. Mathers, Chairman	Miles City	1994
	Jim Kaze, Vice Chairman	Havre	1992
	Thomas F. Topel	Billings	1993
	Cordell Johnson	Helena	1996
	Kermit R. Schwanke	Missoula	1997
	Paul F. Boylan	Bozeman	1998
	Brad Musgrove, Student Representative	Bozeman	1991

*Ex officio member

Commissioner of Higher Education	Dr. John Hutchinson	Commissioner of Higher Education
	John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs
Western Montana College of the University of Montana	George Dennison	President of the University of Montana
	Michael Easton	Provost of Western Montana College of the University of Montana
	Glen Leavitt	Director of Fiscal Affairs
	Dennis Holschbach	Controller

Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the college's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the college:

A. Record bad debt expense on the accounting records in the appropriate fiscal year. 5

College Response: Concur. See page 44.

B. Comply with section 17-7-304, MCA, and return $34,884 to the General Fund. 5

College Response: Do Not Concur. See page 44.

Recommendation #2

We recommend the college determine an allowance for uncollectible accounts based on an analysis of accounts receivable. 6

College Response: Concur. See page 44.

Recommendation #3

We recommend the college:

A. Periodically reconcile the subsidiary detail records to SBAS and record adjustments accordingly.

College Response: Concur. See page 45.

B. Record penalty amounts received as revenue.

College Response: Concur. See page 45.

C. Adjust SBAS amounts for loans assigned to the federal government. 8

College Response: Concur. See page 45.

Recommendation #4

We recommend the college periodically reconcile the subsidiary detail ledgers for student accounts and short-term loans receivable to SBAS. 9

College Response: Concur. See page 46.

Summary of Recommendations

Recommendation #5

We recommend the college establish policies and procedures to ensure compliance with state policy regarding cash change funds. 10

College Response: Concur. See page 47.

Recommendation #6

We recommend the college:

A. Complete the fixed asset count began by UM personnel and address concerns noted in their review.

College Response: Concur. See page 47.

B. Record all property items on the accounting records and periodically reconcile the subsidiary records to the general ledger.

College Response: Concur. See page 48.

C. Perform an inventory of the library books and adjust the accounting records to reflect the current library inventory value.

College Response: Concur. See page 48.

D. Comply with state property accounting policy by assigning property numbers and affixing tags to all property items. 12

College Response: Concur. See page 49.

Recommendation #7

We recommend the college reorganize its control procedures to ensure timely payment of claims. 14

College Response: Concur. See page 49.

Recommendation #8

We recommend the college ensure it complies with state purchasing policies. 14

College Response: Concur. See page 49.

Recommendation #9

We recommend the college prepare an intrafund cash elimination entry on SBAS during fiscal year-end in compliance with state accounting policy. 15

College Response: Concur. See page 50.

Recommendation #10

We recommend the college strengthen efforts to bring the Housing and Dining facilities to a profitable position and eliminate the fund balance deficit in the 1966 Revenue Bond Operating Account. 18

College Response: Concur. See page 50.

Recommendation #11

We recommend the college use its standard contract when entering into any contract for personal services. 19

College Response: Concur. See page 51.

Recommendation #12

We recommend the college:

A. Implement procedures to ensure SBAS accurately reflects the financial activity for Perkins loans at fiscal year-end.

College Response: Concur. See page 51.

B. Prepare the FISAP report based on accurate financial information. 20

College Response: Concur. See page 51.

Recommendation #13

We recommend the college comply with federal regulations requiring students to maintain satisfactory progress in order to receive financial aid. 21

College Response: Conditionally Concur. See page 52.

Recommendation #14

We recommend the college ensure students sign the promissory notes for financial aid as required by federal regulations. 22

College Response: Concur. See page 52.

Summary of Recommendations

Recommendation #15

We recommend the college document the student has complied with the requirements of Selective Service and submitted a signed statement of educational purpose. 23

College Response: Concur. See page 53.

Recommendation #16

We recommend the college file the Perkins loan promissory notes separate from student aid files in a locked, fireproof area. 24

College Response: Concur. See page 53.

Recommendation #17

We recommend the college notify the Attorney General and the Legislative Auditor of any actual or suspected theft in compliance with state law. 24

College Response: Concur. See page 53.

Introduction

Introduction

We performed a financial-compliance audit of Western Montana College of the University of Montana for the two fiscal years ended June 30, 1990. The objectives of our audit were to:

1. Determine the college's compliance with applicable state and federal laws and regulations.

2. Make recommendations for the improvement of management and internal controls.

3. Determine if the college's financial statements present fairly its financial position at June 30, 1990 and the results of operations for the two fiscal years ended June 30, 1990.

4. Determine the implementation status of prior audit recommendations.

This report contains 17 recommendations addressing areas where the college can improve its compliance with laws and regulations, management internal controls, and financial reporting. We discussed other areas of concern not having a significant effect on the successful operations of the college with management. We did not include these issues in this report.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations in this report. Each report section discloses the cost, if significant, of implementing the recommendations.

College Background and Operations

The Montana Legislature established Western Montana College of the University of Montana at Dillon in 1893 as the State Normal School. The college owns and occupies approximately 34 acres. The Board of Regents of Higher Education supervises and controls the college. Beginning July 1988, Western Montana College became a four-year branch campus of the University of Montana. The President of the University of Montana appoints a provost who serves as the college's chief administrator. The college offers the following degrees:

Bachelor of Science degrees in Elementary, Secondary Education and Liberal Studies;

Associate of Arts degrees in either general Liberal Arts or with an emphasis in Advertising Design; and

Associate of Science degrees in Business, Early Childhood Education, Human Resource Management, Information Processing, Office Systems Technology, and Tourism and Recreation.

College operations are financed by state appropriations, university millage, student fees, federal financial assistance, private gifts and grants, land grant income and auxiliary enterprise operations. During the audit period, the college employed approximately 170 faculty and staff and also employed 300 students each semester. The college reported an enrollment of 825 for spring semester 1990. A schedule of full-time equivalent (FTE) students for the two fiscal years ended June 30, 1990 may be found on page 40 of this report.

Prior Audit Recommendations

Prior Audit Recommendations

Our office performed the financial-compliance audit of Western Montana College of the University of Montana (college) for the two fiscal years ended June 30, 1988. The report contained nine recommendations still applicable to the college. The college concurred with all the recommendations. The college implemented four and partially implemented two recommendations.

The partially implemented recommendations deal with contracted services and documentation of student aid files and are addressed on pages 18 and 22 of this audit report. The remaining three recommendations were not implemented. The issues dealing with accounts receivable, and property accounting and control appeared in the last four audit reports covering fiscal years 1980-81 through 1987-88. We address these issues on pages 5 and 10, respectively. The issue dealing with the 1966 Revenue Bond appeared in our last two audit reports. We address this issue on page 16 of the report.

Findings and Recommendations

Reversions

Each unit of the Montana University System receives an appropriation of General Fund money. Any unused appropriation authority reverts to the General Fund in accordance with section 17-7-304, MCA which requires an unexpended appropriation to revert back to the fund from which it was originally appropriated. We reviewed the reversion calculations made during fiscal years 1987-88, 1988-89, and 1989-90 for the college and found the college improperly used bad debt expense in reducing its reversion amount.

The college estimated, during our prior audit, the accumulated uncollectible accounts were $59,882. In fiscal year 1987-88, the college recorded $22,118 as bad debt expense relating to prior years. The college calculated this amount based on the amount available for reversion to the General Fund rather than an analysis of the accounts becoming uncollectible during the current year. As a result of this entry, the college did not revert any money to the General Fund in fiscal year 1987-88. In fiscal years 1988-89 and 1989-90, the college made similar entries of $1,427 and $11,339 respectively, to record the bad debt expense relating to prior years. In each of these years, the college based the amount on the remaining authority in the Current Unrestricted Fund rather than on an aging or an analysis of accounts receivable. The entries resulted in the college avoiding $34,884 in General Fund reversions in fiscal years 1987-88, 1988-89, and 1989-90.

Because the college did not base the fiscal year 1987-88, 1988-89 and 1989-90 entries for bad debt expense on an aging or analysis of accounts receivable, they are not appropriate. Only an estimate, by management, of those accounts becoming uncollectible in the current year based on analysis of the accounts would be a legitimate bad debt expense. Therefore, the college could not use these amounts to reduce its reversion to the General Fund. In order to comply with state law, the college should return $34,884 to the state General Fund.

Recommendation #1

We recommend the college:

A. Record bad debt expense on the accounting records in the appropriate fiscal year.

B. Comply with section 17-7-304, MCA, and return $34,884 to the General Fund.

Accounts and Loans Receivable

In the last three audit reports, we made recommendations regarding the college's accounts receivable. During our current audit we have noted similar situations which indicate management needs to strengthen its efforts to correct the identified problems.

The college records three types of receivables: student accounts receivable, short-term student loans, and federal Perkins loans (CFDA #84.038). The student accounts receivable for tuition and fees are recorded in the Current Unrestricted Fund. The college reported $146,970 in student accounts receivable at June 30, 1990. The college records its short-term student loans and Perkins loans in its student loan fund. At June 30, 1990, the college reported $18,413 and $492,213 in short-term student loans and Perkins loans, respectively.

As noted in the following sections, we noted differences between the amounts recorded on the primary accounting records (Statewide Budgeting and Accounting System - SBAS) and the college's subsidiary detail supporting records. As of February 1991, college officials have not resolved or reconciled all the differences. We also noted the college has not updated its estimate for uncollectible accounts since the last audit. The estimate on SBAS does not agree to the estimate reported on the college's financial statements.

Allowance for Uncollectible Accounts

The college has not revised the estimate of the uncollectible accounts and loans receivable for the last two years. The $59,882 allowance for uncollectible accounts reported as of June 30, 1990 is unchanged from the amount the college reported as of June 30, 1988. The allowance for uncollectible accounts is approximately 40 percent of the $146,970 accounts receivable reported in the Current Unrestricted Fund.

By not analyzing the accounts receivable on a routine basis, the college cannot determine the collectibility of its accounts, initiate collection procedures, or calculate the bad debt expense for the year. As described in the report section relating to reversions, on page 4, the allowance amount reported on SBAS is not supported by an analysis of the accounts receivable. Users of SBAS information may erroneously conclude the net receivable amounts recorded on SBAS are collectible when this may not necessarily be the case.

In order to prepare an allowance for uncollectible accounts the college should perform a detailed analysis of the outstanding receivable and loan balances. An aging schedule of the individual accounts would be beneficial in performing the analysis. Historical trend data regarding the percentage of receivables and loans that ultimately become uncollectible would also be beneficial in preparing an allowance for uncollectible accounts.

Recommendation #2

We recommend the college determine an allowance for uncollectible accounts based on an analysis of accounts receivable.

Perkins Loans

In June 1990, the college converted the Perkins loan receivables from its accounting system to the University Accounting Services (UAS) accounting system. The loan receivables on the UAS system should agree with the balance reported on SBAS. At June 30, 1990, UAS's subsidiary detail ledger reported $475,294 in loan balances while SBAS reported $492,213. The college identified part of the difference as $20,912 in loans assigned to the federal government which are no longer receivables of the college. Loans assigned to the federal government should be removed from the accounting records thereby reducing the outstanding balance. The college should have adjusted the assigned loans on SBAS prior to June 30, 1990. As a result, the SBAS amount is overstated by $20,912.

The remaining difference results from the college incorrectly accounting for loans turned over to a private agency for collection. When the loan is collected, the student is assessed a 50 percent penalty. The college incorrectly reduces the loan receivable for the outstanding balance plus the penalty amount, resulting in a negative receivable balance. For example, we selected a sample of individual Perkins loans receivable at June 30, 1990 to confirm the balances with the students. College records indicated one student in our sample had a negative balance of $972. Further investigation disclosed the loan had been repaid in full, plus penalty, more than three years prior to our confirmation.

The negative balances understate the Perkins loans receivable amount. Due in part to the conversion to the UAS subsidiary system, college officials could not readily identify all negative balances. Based on our audit work, we do not consider the negative balances to have a material impact on the financial statements of the college. However, as discussed on page 19, these errors resulted in the college reporting incorrect amounts on federal reports to the U.S. Department of Education.

In order to properly account for Perkins loans receivable, college officials should periodically compare the subsidiary detail records to SBAS. Any differences should be reconciled and the

records adjusted accordingly. Penalty amounts should be recorded as revenue. Loans accepted for assignment by the federal government should be removed from the outstanding principal balance and reclassified on SBAS as loans cancelled.

Recommendation #3

We recommend the college:

A. Periodically reconcile the subsidiary detail records to SBAS and record adjustments accordingly.

B. Record penalty amounts received as revenue.

C. Adjust SBAS amounts for loans assigned to the federal government.

Student Accounts and Short-Term Loans Receivable

During the audit period, the college did not reconcile the subsidiary detail ledgers for student accounts and short-term loans receivable to the amounts recorded on SBAS. College personnel indicated there were differences between the subsidiary records and SBAS. In order to ensure the amounts on SBAS are supported and to facilitate the timely detection and correction of errors, the subsidiary detail ledgers should be periodically reconciled to SBAS.

College officials stated they installed a new student records and accounts receivable system in the spring of 1990. Officials had originally estimated the conversion would be completed by June 30, 1990. However, as of February 8, 1991, the conversion is not complete and the college has been unable to reconcile the subsidiary detail records to SBAS. College officials stated they were not able to create a detail listing of accounts from the new system as of June 30, 1990. Officials stated this problem has been corrected and they are in the process of preparing a reconciliation for June 30, 1990. Officials further stated they intend to develop procedures to provide for a systematic monthly

reconciliation of SBAS and they plan to have the new receivable system in place by June 1991. In the meantime, officials stated they will begin to reconcile the subsidiary files manually.

Recommendation #4

We recommend the college periodically reconcile the subsidiary detail ledgers for student accounts and short-term loans receivable to SBAS.

Safeguarding Cash Change Funds

State agencies deposit moneys received in the state treasury to maintain control and maximize investment earnings. The Department of Administration may authorize agencies to maintain cash change funds to conduct day-to-day operations. The college received authorization to maintain a cash change fund of $6,450 in its business office. During our review of cash, we found six unauthorized cash change funds totaling $520. The amount of the individual funds ranged from $2 to $213. State policy (MOM 2-1900) requires the Department of Administration approve cash change funds.

According to college management, employees probably began the change funds by withholding receipts from sales. This does not comply with section 17-6-105(6), MCA, which states "all money . . . received by a state agency or institution shall be deposited either with the state treasurer or in a depository approved by the state treasurer." We informed college management of the unauthorized cash change funds we found during our review. College management sought authorization and recorded the cash change funds on SBAS in December 1990.

We also noted several instances of noncompliance with state accounting policy regarding cash change funds. State policy provides minimum safekeeping and recordkeeping requirements which include the following:

1. The cash change fund must be appropriately secured.

2. The number of individuals with access to a cash change fund must be kept to a minimum. The agency must maintain a list of individuals with access to the fund.

3. Expenditures from a cash change fund are prohibited.

4. Every day the cash change fund is in use, the agency should perform a formal reconciliation.

We observed cash placed in unlocked boxes and stored in unlocked file cabinets over nights and weekends. When asked, the college could not provide a list of custodians. After the college recorded the cash change funds on SBAS, it established a list of persons responsible for the cash change funds.

We found instances where college personnel made expenditures from cash change funds. We found college personnel did not reconcile the cash change fund on a daily basis. Personnel at the various cash change fund locations were unaware of the minimum safekeeping and recordkeeping requirements. Also, college management has not performed periodic checks to ensure the funds are used properly. By not maintaining adequate controls or records for this cash, the college increases its risk of losing the funds through theft or misuse.

Recommendation #5

We recommend the college establish policies and procedures to ensure compliance with state policy regarding cash change funds.

Property Accounting and Controls

In the last three audit reports we recommended the college comply with state property accounting policies, complete the implementation of its property accounting system, and perform a complete physical inventory of fixed assets. We noted the problems addressed in prior audit reports still exist.

On June 25 through 28, 1990, a team from the University of Montana (UM) came to the college and performed an initial property inventory of all departments and buildings. The inventory team could not locate approximately 20 percent of the college's equipment valued at approximately $110,000. The UM personnel also provided a list of problems and questions arising from the inventory for the college to address.

The UM review identified that some of the college's property items do not have property tags attached to them. State property accounting policy requires agencies to assign a property number to each fixed asset and attach a tag with the corresponding number. The property tag aids in conducting physical inventories and identifies the asset as state property. College personnel cited a lack of manpower as the reason for not completing the physical inventory and not assigning property numbers and placing tags on the assets.

As of January 1991, the college personnel had not resolved all the problems or questions arising from the UM property inventory, nor had they located all the missing equipment. The college has a part-time work study student following up on the items as time is available.

We compared the property amounts recorded on SBAS to the college's property subsidiary ledger. The amounts on SBAS and the subsidiary ledger should agree. However, we noted differences totaling approximately $206,000. These differences exist because the college has not recorded additions or deletions of fixed assets on SBAS. The following chart identifies the differences noted in our audit.

Property Classification	SBAS Under (Over) Subsidiary Ledger
Land	$ 4,000
Buildings	136,551
Software	30,593
Library Books	36,026
Equipment	(786)
Total	$206,384

The difference in library books is due to an "allowance for lost, strayed, or stolen books" developed in the 1960s. An allowance for library books is not in compliance with state accounting policies. The college has not performed a physical count of its library books since 1985. The college should perform a physical inventory and adjust the accounting records to reflect the value of the current library inventory. Other university system units have used a sampling approach to estimate the current value of their library inventory. The college could use such a method in estimating its library book inventory value using current staff available.

In our prior audit report, college officials stated it would require at least one-half FTE, at an estimated cost of $9,740, to complete the initial inventory. UM personnel completed the majority of the initial fixed asset count. The college should prioritize the college workstudy student's duties to ensure the completion of the initial fixed asset count. The college should update its inventory system when it purchases or disposes of a fixed asset and periodically verify the existence of recorded assets.

Recommendation #6

We recommend the college:

A. Complete the fixed asset count began by UM personnel and address concerns noted in their review.

B. Record all property items on the accounting records and periodically reconcile the subsidiary records to the general ledger.

C. Perform an inventory of the library books and adjust the accounting records to reflect the current library inventory value.

D. Comply with state property accounting policy by assigning property numbers and affixing tags to all property items.

General Accounting and Management

During our review of the college's accounting records, we noted several instances where the college could improve its day-to-day operations by strengthening controls and improving compliance with state accounting policies.

Timely Payment of Invoices

We tested 24 claims and found two instances where the college did not pay its invoices in a timely manner. According to section 17-8-242, MCA, payment is timely if made within 30 days of receipt of the invoice. If an agency fails to make timely payment, it shall pay interest at a rate of 5 percent. The number of exceptions noted in our sample indicates there is a problem with the timely payment of claims.

In the first instance of untimely payment, an invoice for $84 was over 30 days past due. The college paid no interest on the past due amount. In the second instance, the invoice included $41 over 30 days past due and $2,727 over 60 days past due. The business assessed and the college paid a finance charge of $97 on the amounts past due.

It is good practice for agencies to take advantage of purchase discounts when available. We noted one invoice where the college failed to take advantage of a $189 discount for prompt payment. If the college had paid these invoices in a timely manner and had taken advantage of the purchase discount, it would have saved $286.

Management stated the college attempts to pay all claims in a timely manner but their control system causes delays. Presently, the business office receives the invoices and forwards them to the various departments for approval. The departments are slow in returning the invoices for payment. The college should reorganize its control procedures to ensure the prompt payment of invoices. The business office could improve its procedures by using receiving reports and recording additional information in the invoice log to help ensure the timely payment of invoices. This would also allow the business office to keep track of and take advantage of purchase discounts.

Recommendation #7

We recommend the college reorganize its control procedures to ensure timely payment of claims.

Compliance with State Purchasing Procedures

During our review of expenditures at the college, we noted two instances of noncompliance with state purchasing policy. State purchasing policy requires a signed purchase requisition and a signed purchase order for all purchases greater than $300. Our review noted the following concerns:

1. The college purchased tee shirts costing $826 and prepared a purchase requisition but failed to prepare the necessary purchase order.

2. The college failed to sign a purchase order for groceries costing $1,205.

College personnel could not explain the reasons for not following state purchasing policies other than human error.

Without a properly executed purchase requisition or purchase order, there is increased risk that expenditures may be made without management's knowledge or approval. The college should ensure personnel follow established purchasing procedures relating to purchase requisitions and purchase orders prepared in accordance with state purchasing policies.

Recommendation #8

We recommend the college ensure it complies with state purchasing policies.

Eliminating Intrafund Cash Activity

Each year Department of Administration's Accounting Bureau issues instructions for recording transactions during the fiscal year-end period. Section 17-1-102(4), MCA, requires state agencies, including university units, to record transactions on SBAS in accordance with Generally Accepted Accounting Principles (GAAP). The procedures outlined in the year-end instructions enable agencies and the Accounting Bureau to accomplish this goal. The procedures also allow the Accounting Bureau to prepare the state's Comprehensive Annual Financial Report (CAFR) from SBAS information in accordance with GAAP. The instructions include procedures colleges and universities are required to follow in eliminating intrafund cash activity.

The college eliminated $450,629 of intrafund cash activity in preparing its financial statements but did not eliminate the activity on SBAS. Without this elimination entry, receivables and payables reported on the state's financial statements are overstated. To report financial activity in accordance with GAAP, intrafund cash activity must be eliminated. Accounting Bureau eliminates the intrafund cash activity for all state agencies except colleges and universities. Colleges and universities are required to input their own intrafund cash elimination entry to eliminate activity resulting from the use of cash cutoff accounts.

Recommendation #9

We recommend the college prepare an intrafund cash elimination entry on SBAS at fiscal year-end in compliance with state accounting policy.

1966 Revenue Bonds

In 1966, the college issued revenue bonds to fund its housing and dining facilities. The bonds mature in annual installments from October 1, 1967 to October 1, 2006. The college pledged the revenues generated from these operations to the payment of the principal and interest on the bonds. The bond indenture requires the net annual earnings in the operating account be sufficient to pay the principal and interest on the bond or $51,870 for fiscal year 1989-90. The college violated the terms of the 1966 bond indenture in fiscal years 1985-86, 1987-88, and 1989-90 when the operating account sustained losses as shown in the schedule on page 16 and 17.

As reported in our last two audit reports, the revenues from the housing and dining facilities have not been sufficient to meet the principal and interest payments on the bonds. Revenues continue to lag behind expenses. In essence, the 1966 Revenue Bond Operating account has borrowed from other funds in order to pay its expenses and meet its debt service obligation. The problem has resulted in a deficit fund balance in the 1966 Revenue Bond Operating Account since at least fiscal year 1984-85.

In prior years, university officials authorized an increase in building fees, established a student union use fee and authorized the transfer of $50,000 each year from the 1967 Revenue Bond Operating account. However, as shown in the following table, even with the action taken, revenues generated are not enough to cover the cost of the housing and dining operations and pay the principal and interest on the bonds.

1966 Revenue Bond Operating Account

Fund Balance: June 30, 1985	$ (42,720)
FY 1985-86	
Net Operating Loss	$ (27,425)
Transfer from 1967 Operating Account	50,000
Acquisition of Equipment	(21,132)
Transfer to 1966 Reserve Account	(35,735)
Prior Year Adjustment	(24,515)
Fund Balance: June 30, 1986	$(101,527)

1966 Revenue Bond Operating Account (continued)

FY 1986-87	
Net Operating Gain	$ 94,784
Transfer from 1967 Operating Account	50,000
Acquisition of Equipment	(19,168)
Transfer to 1966 Reserve Account	(58,991)
Prior Year Adjustment	515
Fund Balance: June 30, 1987	$ (34,387)
FY 1987-88	
Net Operating Loss	$ (70,144)
Transfer from 1967 Operating Account	50,000
Acquisition of Equipment	(19,187)
Transfer to 1966 Reserve Account	(51,158)
Prior Year Adjustment	5,612
Fund Balance: June 30, 1988	$(119,264)
FY 1988-89	
Net Operating Gain	$ 77,176
Transfer from 1967 Operating Account	50,000
Acquisition of Equipment	(21,711)
Transfer to 1966 Reserve Account	(39,544)
Prior Year Adjustment	420
Fund Balance: June 30, 1989	$ (53,763)
FY 1989-90	
Net Operating Loss	$ (26,785)
Transfer from 1967 Operating Account	50,000
Acquisition of Equipment	(8,950)
Transfer to 1966 Reserve Account	(47,092)
Prior Year Adjustment	3,094
Fund Balance: June 30, 1990	$ (89,684)

Source: Prepared by the Office of the Legislative Auditor from college records

College personnel stated they are aware of the problems in the 1966 Bond account and are exploring various options for solutions. In response to the prior audit recommendation, college officials cited a temporary enrollment decline as the reason for the delay in bringing the operating account to a positive balance.

They also stated operating surpluses and account transfers should bring the account to a positive balance by fiscal year-end 1988-89. However, as shown on the preceding schedule, the operating account was not positive at that time. The deficit increased by $35,921 between June 30, 1989 and 1990. College management should take more aggressive actions to bring the housing and dining facilities to a profitable position, as well as continue transferring money from other sources to eliminate the existing fund balance deficit in the 1966 Revenue Bond Operating Account.

Recommendation #10

We recommend the college strengthen efforts to bring the housing and dining facilities to a profitable position and eliminate the fund balance deficit in the 1966 Revenue Bond Operating Account.

Contracted Services

In our prior audit report we recommended the college develop a standard personal service contract containing the elements required by state policy. We reviewed 13 personal service agreements for fiscal year 1989-90 and found seven did not contain the minimum elements required by state policy.

All seven agreements reviewed were for teaching extension courses. According to college management, there was a misunderstanding in the use of the standard contract. Personnel believed the college did not need to use the standard contract for agreements dealing with extension courses.

The college developed a standard contract in response to our prior audit recommendation. However, it did not contain the required nondiscrimination clause, legal approval, or verification of workers' compensation coverage or exemption. After we indicated this to college personnel, they revised the standard contract to include the above-mentioned requirements.

Recommendation #11

We recommend the college use its standard contract when entering into any contract for personal services.

Federal Assistance

The college receives federal assistance from the U.S. Department of Education for the following student aid programs: Pell grants (CFDA #84.063), Perkins loans (CFDA #84.038), Supplemental Education Opportunity Grants [SEOG] (CFDA #84.007), State Student Incentive Grant [SSIG] (CFDA #84.069), College Work Study (CFDA #84.033)and Stafford loans (#84.032). During our review of the student financial aid programs, we noted several instances where the college can improve its compliance with federal regulations. These concerns are discussed in the following report sections.

FISAP Reporting

As noted in the Accounts Receivable section of this report (page 7), the Perkins loan amount reported on SBAS is incorrect. As a result, amounts reported for Perkins loans on the Fiscal Operations Report/Application (FISAP) are also incorrect. Federal regulations require the FISAP report to accurately reflect the financial activity of the financial aid programs. The following schedule outlines the errors reported in the 1989-90 FISAP report.

Page	Line	Description	Amount Reported	Correct Amount
23	5.0	Loan Principal Collected	$1,424,309	*
23	5.1	Default Principal Assigned	131,543	$152,455
23	19.1	Collection Costs	24,831	28,592**
27	2	Default Assigned	131,543	152,455

*Unable to determine

**Unable to determine, but at <u>least</u> this amount.

The college submitted an updated FISAP to the Department of Education in February 1991 for the errors related to the default principal assigned and the default assigned. However, the errors related to Loan Principal Collected and Collection Costs remain unresolved.

Recommendation #12

We recommend the college:

A. Implement procedures to ensure SBAS accurately reflects the financial activity for Perkins loans at fiscal year-end.

B. Prepare the FISAP report based on accurate financial information.

Monitoring Satisfactory Progress

Federal regulations require a student to maintain satisfactory academic progress toward a degree objective in order to be eligible for federal student financial aid. The satisfactory progress guidelines represent a minimum standard determined by the college. At WMC a student must receive a minimum grade of D or P (pass) and complete the minimum credits for which they are funded.

In one file out of four student aid files examined a student had not maintained satisfactory progress during her academic career. Therefore, the student was not eligible to receive financial aid. The student continued to receive financial aid from fall semester 1988 through spring semester 1990. Because of this error, we question the amount of aid given to this ineligible student from the following programs:

Satisfactory Progress Questioned Costs

Federal Program & Catalog Number	Amount
Pell (CFDA #84.063)	$4,080
SEOG (CFDA #84.007)	600
Perkins (CFDA #84.038)	1,200
Stafford/GSL (CFDA #84.032)	3,383
Total	$9,263

Source: Prepared by the Office of the Legislative Auditor from college records

The college should monitor each student's progress and discontinue financial aid when the student fails to maintain satisfactory progress toward a degree objective.

Recommendation #13

We recommend the college comply with federal regulations requiring students to maintain satisfactory progress in order to receive financial aid.

Promissory Notes

During our review of the Perkins loan receivables, we examined the promissory notes for a student receiving Perkins loans of $500. Federal regulations require the student to sign the promissory note upon receiving any funds. In this instance the student did not sign the promissory note indicating he received $200. Without the signature, the college only has documentation of the student owing $300 while the accounting records show the student owes $500. This loan occurred in 1984 and college officials were unsure why the student had not signed the note as required by federal regulations. The student is default on his loan repayment. As of June 30, 1990 his principal balance outstanding was $225.

Recommendation #14

We recommend the college ensure students sign the promissory notes for financial aid as required by federal regulations.

Eligibility Documentation

Federal regulations require students to certify that they have registered with the selective service, if applicable, and sign a statement of educational purpose in order to be eligible for student financial aid.

We noted eight instances where the student file did not document the student signed the form which certifies compliance with the requirements for registration with selective service and the statement of educational purpose. Also, there was no documentation to indicate that financial aid personnel had noticed that the students had not signed the form or had made an attempt to have the form signed. College personnel stated the former financial aid director overlooked the fact that the certification form had to be signed. Because the student's file did not document the eligibility requirements to receive federal financial aid, we question the following student aid amounts:

Selective Service/Statement of
Educational Purpose Questioned Costs

Federal Program & Catalog Number	Amount
Pell (CFDA #84.063)	$10,950
College Work/Study (CFDA #84.033)	1,000
Stafford Loan (CFDA #84.032)	16,317
Total	$28,267

Source: Prepared by the Office of the Legislative Auditor from college records

Recommendation #15

We recommend the college document the student has complied with the requirements of Selective Service and submitted a signed statement of educational purpose.

Safeguarding Records

We noted the college keeps the Perkins loan promissory notes in the student aid files. The student aid files are kept in an unlocked file cabinet which may be accessed by all personnel in the financial aid and registrar's office. The promissory note documents the student's obligation to pay back the loan. If the notes are lost or stolen, there is no record of the student's obligation to repay. Since the loan obligation remains long after the student aid files become inactive, federal regulations require an institution to keep the original promissory notes and repayment schedules in a locked, fireproof area. Federal regulations also state "Only authorized personnel may have access to the loan documents." College personnel stated they had not considered the problems with having the promissory notes in the student aid files.

Recommendation #16

We recommend the college file the Perkins loan promissory notes separate from student aid files in a locked, fireproof area.

Reporting of Thefts

Section 5-13-309(3), MCA, requires state agencies to immediately notify both the Attorney General and the Legislative Auditor in writing upon the discovery of any theft, actual or suspected, involving state moneys or property under his control or for which he is responsible.

The college experienced two thefts from the campus post office totaling approximately $90 and three thefts from the library cash box totaling $60-$90. The library also lost two cameras from the audio-visual lab. All the actual or suspected thefts were reported to the business office. None of the thefts were reported to the Attorney General or the Legislative Auditor as required by law.

According to college personnel, the college does not automatically notify the Attorney General or the Legislative Auditor in the case of theft. They only do so if the dollar value of items is material or if they believe a theft is perpetrated by college employees.

Recommendation #17

We recommend the college notify the Attorney General and the Legislative Auditor of any actual or suspected theft in compliance with state law.

Independent Auditor's Report & College Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The independent auditor's report issued on the financial statements contained in this report is intended to convey to the reader the degree of reliance which he can place on the amounts presented. The reader may rely on the fairness of the amounts on the statements presented on pages 28 through 40 when analyzing the financial activity of the Western Montana College of the University of Montana.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
HELENA, MONTANA 59620
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SCOTT A. SEACAT

EGAL COUNSEL:
JOHN W. NORTHEY

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Balance Sheet of Western Montana College of the University of Montana as of June 30, 1990, and the related Statements of Changes in Fund Balances and the Statements of Current Fund Revenues, Expenditures, and Other Changes for each of the two fiscal years ended June 30, 1990. These financial statements are the responsibility of college management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Western Montana College of the University of Montana as of June 30, 1990, and the changes in its fund balances and the current funds revenues, expenditures, and other changes for each of the two fiscal years then ended in conformity with generally accepted accounting principles.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

February 28, 1991

WESTERN MONTANA COLLEGE OF THE UNIVERSITY OF MONTANA

BALANCE SHEET-JUNE 30, 1990

	CURRENT FUNDS		LOAN	ENDOWMENT	PLANT FUNDS				AGENCY
	Unrestricted	Restricted	FUNDS	FUNDS	Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment In Plant	FUNDS
ASSETS:									
Cash	$284,053	$80,992	$1,500	$ 4	$(29,192)	$29,823	$129,489		$886
Due from Other Funds	64,836			26	15,306	1,156			
Accounts Receivable	146,970		11,952		44,483				316
Allowance for Doubtful Accounts	(59,882)								
Inventories (Footnote 3)	226,967								
Prepaid Expense	100,115								
Investments (Footnote 2)				3,900			47,148		10,600
Loans Receivable:									
Student Loans			489,715						
Allowance for Doubtful Accounts			(30,414)						
Land								$61,560	
Buildings								7,095,775	
Equipment & Intangible Assets								1,592,947	
Library Books								539,688	
Construction Work in Progress								33,974	
Total Assets	$763,059	$80,992	$472,753	$3,930	$30,597	$30,979	$176,637	$9,323,944	$11,802
LIABILITIES:									
Deferred Revenue	91,573	10,350							
Due to Federal Government		47							
Due to Other Funds		45,634	6,703						79
Accounts Payable	451,222	24,961	711		827				683
Liability for Compensated Absences	387,646								
Bonds Payable (Footnote 6)								809,815	
Installment Purchase Payable								9,975	
Property Held in Trust	9,161								11,040
Total Liabilities	$939,602	$80,992	$7,414	$ -0-	$ 827	$ -0-	$ -0-	$ 819,790	$11,802
Fund Balance (Footnote 4)	$(176,543)	$ -0-	$465,339	$3,930	$29,770	$30,979	$176,637	$8,504,154	$ -0-
TOTAL LIABILITIES & FUND BALANCES	$ 763,059	$80,992	$472,753	$3,930	$30,597	$30,979	$176,637	$9,323,944	$11,802

See accompanying notes to the financial statements.

WESTERN MONTANA COLLEGE OF THE UNIVERSITY OF MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1990

	CURRENT FUNDS		LOAN	ENDOWMENT	PLANT FUNDS			
	Unrestricted	Restricted	FUNDS	FUNDS	Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant
Revenues & Other Additions:								
Unrestricted Educational & General	$5,183,287							
Auxiliary Enterprises	1,558,241							
Federal Grants/Contracts		$1,556,530						
State and Local Grants/Contracts		26,612						
Private Gifts/Grants/Contracts		168,909						
Interest and Recovery on Loans			$10,885					
Investment Income			667	$289	$2,581	$1,470	$14,628	
Student Fees					111,355			
Land Grant					212,042			
Expended for Plant Facilities (Footnote 7)								$(718,088)
Retirement of Indebtedness								341,652
Sales & Service					5,711			
Total Revenues & Other Additions	$6,741,528	$1,752,051	$11,552	$ 289	$331,689	$1,470	$14,628	$(376,436)
Expenditures & Other Deductions:								
Educational and General	5,083,442	1,736,996						
Auxiliary Enterprises	1,742,583	15,205						
Loan Cancellations			22,017					
Administrative & Operating			14,014		32,765	14,857	228	
Retirement of Indebtedness							74,623	
Interest on Indebtedness							31,357	
Transfers to Department of Administration					9,769			
Total Expenditures & Other Deductions	$6,826,025	$1,752,201	$36,031	$-0-	$ 42,534	$14,857	$106,208	$ -0-
Transfers Among Funds -								
Additions (Deductions):								
Nonmandatory	214,008	150		(150)	(232,661)	18,653		
Mandatory					(97,966)		97,966	
Total Transfers	$ 214,008	$ 150	$ -0-	$(150)	$(330,627)	$18,653	$ 97,966	$ -0-
Net Increase (Decrease) for the Year	129,511	-0-	(24,479)	139	(41,472)	5,266	6,386	(376,436)
Fund Balance at the Beginning of the Year	(305,959)	1,226	485,942	3,791	72,574	25,355	170,251	8,880,590
Prior Year Adjustment & Other	(95)	(1,226)	3,876	-0-	(1,332)	358	-0-	-0-
Fund Balance (Deficit) at the End of Year	$ (176,543)	$ -0-	$465,339	$3,930	$ 29,770	$30,979	$176,637	$8,504,154

See accompanying notes to the financial statements.

WESTERN MONTANA COLLEGE OF THE UNIVERSITY OF MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	CURRENT FUNDS		LOAN	ENDOWMENT	PLANT FUNDS			
	Unrestricted	Restricted	FUNDS	FUNDS	Unexpended	Renewals & Replacements	Retirement of Indebtedness	Investment in Plant
Revenues & Other Additions:								
Unrestricted Educational & General	$4,876,759							
Auxiliary Enterprises	1,471,607							
Federal Grants/Contracts		$1,548,839						
State and Local Grants/Contracts		7,536						
Private Gifts/Grants/Contracts		127,519						
Interest and Recovery on Loans			$13,558					
Investment Income			1,450	$306	$3,348	$318	$13,782	
Student Fees					119,054			
Land Grant					211,805			
Expended for Plant Facilities					22,402			$466,693
Retirement of Indebtedness								125,995
Sales & Service					2,332			
Total Revenues & Other Additions	$6,348,366	$1,683,894	$15,008	$306	$358,941	$318	$13,782	$592,688
Expenditures & Other Deductions:								
Educational and General	4,806,352	1,646,608						
Auxiliary Enterprises	1,580,558	37,286						
Loan Cancellations			3,451					
Administrative & Operating			12,752		38,601	27,633	78	
Retirement of Indebtedness							73,553	
Interest on Indebtedness							34,526	
Transfers to Department of Administration					13,620			
Total Expenditures & Other Deductions	$6,386,910	$1,683,894	$16,203	$-0-	$52,221	$27,633	$108,157	$ -0-
Transfers Among Funds - Additions (Deductions):								
Nonmandatory	165,716				(200,385)	34,669		
Mandatory	(6,882)				(83,773)		90,655	
Total Transfers	$ 158,834	$ -0-	$ -0-	$-0-	$(284,158)	$34,669	$ 90,655	$ -0-
Net Increase (Decrease) for the Year	120,290	-0-	(1,195)	306	22,562	7,354	(3,720)	592,688
Fund Balance at the Beginning of the Year	(427,529)	2,953	487,137	-0-	50,139	18,001	173,971	8,287,902
Prior Year Adjustment & Other	1,280	(1,727)	-0-	3,485	(127)	-0-	-0-	-0-
Fund Balance (Deficit) at the End of Year	$ (305,959)	$ 1,226	$485,942	$3,791	$ 72,574	$25,355	$170,251	$8,880,590

See accompanying notes to the financial statements.

WESTERN MONTANA COLLEGE OF THE UNIVERSITY OF MONTANA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1990

	CURRENT FUNDS		
	Unrestricted	Restricted	Total
Revenues:			
Educational and General			
Tuition and Fees	$1,184,481	$	$1,184,481
State Appropriation	3,695,380		3,695,380
Federal Grants and Contracts	26,359	1,556,530	1,582,889
State and Local Grants and Contracts		26,612	26,612
Private Gifts, Grants and Contracts	1,278	168,909	170,187
Sales and Service	275,789		275,789
Total Educational and General	$5,183,287	$1,752,051	$6,935,338
Auxiliary Enterprises	1,558,241		1,558,241
Total Revenues	$6,741,528	$1,752,051	$8,493,579
Expenditures and Mandatory Transfers:			
Educational and General			
Instruction	2,402,316	350,348	2,752,664
Research		2,166	2,166
Public Service	52,940	12,720	65,660
Academic Support	231,814	255,093	486,907
Student Services	838,211	20,315	858,526
Institutional Support	725,900	204,907	930,807
Operation of Plant	716,928	45,683	762,611
Student Aid	115,333	845,764	961,097
Total Educational and General	$5,083,442	$1,736,996	$6,820,438
Auxiliary Enterprises:			
Expenditures	1,742,583	15,205	1,757,788
Mandatory Transfers for Principal and Interest	-0-	-0-	-0-
Total Auxiliary Enterprises	$1,742,583	$ 15,205	$1,757,788
Total Expenditures and Mandatory Transfers	6,826,025	1,752,201	8,578,226
Nonmandatory Transfers	214,008	150	214,158
NET INCREASE (DECREASE) IN FUND BALANCE	$ 129,511	$ -0-	$ 129,511

WESTERN MONTANA COLLEGE OF THE UNIVERSITY OF MONTANA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES
AND OTHER CHANGES
FOR THE FISCAL YEAR ENDED JUNE 30, 1989

	CURRENT FUNDS		
	Unrestricted	Restricted	Total
Revenues:			
Educational and General			
Tuition and Fees	$1,105,966	$	$1,105,966
State Appropriation	3,461,265		3,461,265
Federal Grants and Contracts	25,671	1,548,839	1,574,510
State and Local Grants and Contracts	13,630	7,536	21,166
Private Gifts, Grants and Contracts		127,519	127,519
Sales and Service	270,227		270,227
Total Educational and General	$4,876,759	$1,683,894	$6,560,653
Auxiliary Enterprises	1,471,607		1,471,607
Total Revenues	$6,348,366	$1,683,894	$8,032,260
Expenditures and Mandatory Transfers:			
Educational and General			
Instruction	2,301,730	419,095	2,720,825
Research		2,035	2,035
Public Service	21,332	749	22,081
Academic Support	189,197	45,900	235,097
Student Services	843,429	44,295	887,724
Institutional Support	605,023	272,104	877,127
Operation of Plant	741,067	37,918	778,985
Student Aid	104,574	824,512	929,086
Total Educational and General	$4,806,352	$1,646,608	$6,452,960
Auxiliary Enterprises:			
Expenditures	1,580,558	37,286	1,617,844
Mandatory Transfers for			
Principal and Interest	6,882	-0-	6,882
Total Auxiliary Enterprises	$1,587,440	$ 37,286	$1,624,726
Total Expenditures and Mandatory Transfers	6,393,792	1,683,894	8,077,686
Nonmandatory Transfers	165,716	-0-	165,716
NET INCREASE (DECREASE) IN FUND BALANCE	$ 120,290	$ -0-	$ 120,290

WESTERN MONTANA COLLEGE OF THE UNIVERSITY OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accrual Basis

The financial statements of Western Montana College have been prepared on the accrual basis except for depreciation accounting. The statement of current funds revenue, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenditures.

Fund Accounting

The accompanying financial statements are prepared in accordance with the principles of "fund accounting" wherein resources are classified by the limitations and restrictions placed upon their use. These separate funds are then combined according to their common characteristics into fund groups (each an accounting entity complete with a self-balancing set of accounts) and reflected by fund groups in the accompanying financial statements.

Descriptions of the common characteristics of the funds in the various fund groups are as follows:

CURRENT FUNDS - the current funds group includes economic resources expendable in performing the primary objectives of the institutions, i.e., instruction and public service. The current funds group has two basic distinct sub-groups. Unrestricted funds which have no external expenditure restrictions, and restricted funds which have external expenditure restrictions.

LOAN FUNDS - this group of resources is available to aid in financing qualifying students' education. Private as well as College resources provide some loan funds; however, the federal government contributes the large majority.

PLANT FUNDS - plant funds are separated into four distinct sub-groups with self-balancing accounts:

Renewal and Replacement Funds - utilized for long-term institutional asset maintenance.

Unexpended Plant - utilized for acquisition of long-term institutional assets.

Retirement of Indebtedness Funds - utilized for debt service charges and retirement of indebtedness on long-term institutional assets.

Investment in Plant - denotes the cost of long-term institutional assets and associated liabilities.

AGENCY FUNDS - the agency funds group is used to segregate assets held by the institution as a custodian or fiscal agent for other organizations or individuals.

Appropriations

Appropriations in the Current Unrestricted Fund are made by the Legislature for operating purposes of Western Montana College. Expenditures against these appropriations are funded by corresponding funds at the state level. Unexpended or unencumbered balances in these appropriations revert to the respective state funds at year-end.

NOTE 2 - INVESTMENTS

All investments are recorded at cost. Investment income is generally recorded when earned. The investments of Western Montana College consist primarily of amounts invested through the Montana State Board of Investments using its Short-term Investment Pool and United States Treasury Bills and Money Market Funds. All the investments are risk category #1.

Investments owned by the several funds at June 30, 1990, are as follows:

	Cost	Market or Unit Value
Endowment Funds:		
Short Term Investment Pool	$ 3,900.00	$ 3,900.00
Plant Funds:		
Retirement of Indebtedness:		
Money Market	*$ 1,000.00	$ 1,000.00
U.S. Treasury	* 46,147.00	46,147.00
	$ 47,147.00	$ 47,147.00
Agency Funds:		
Short Term Investment Pool	$ 10,600.00	$ 10,600.00

*Indicates Investments Held by Trustee

NOTE 3 - INVENTORIES

Inventories included are merchandise from the bookstore, vending, and snack bar and supplies from the business office, physical plant, and food service. All recorded inventories are stated at cost using the first-in/first-out method.

NOTE 4 - VACATION PAY AND SICK PAY

Employees accumulate unused vacation and unused sick leave. Employees can accumulate and carry over a maximum of two years vacation into a new calendar year. Unused accumulated vacation is redeemed in cash upon termination of employment. Upon termination, unused sick leave earned since July 1, 1971, is purchased from the employee at 25 percent value. The cash value of accumulated leave at June 30, 1990, was $387,646. The liability for vacation and sick leave is recorded in the period in which the leave is earned. This results in a negative fund balance because the revenue which would be used to pay the liability is not collected until future periods.

NOTE 5 - UNEARNED INCOME

Summer school revenues and related expenditures are deferred at June 30 and recorded as revenue and expenditures in the succeeding fiscal year.

NOTE 6 - BONDS AND INSTALLMENT PURCHASE PAYABLE

At June 30, 1990, the college has a total of $893,881 in outstanding bonds and installments payable, including $74,091 of General Obligation Bonds recorded on Department of Administration's accounting records. The bonds were issued for construction of various college facilities and are summarized as follows:

"1966 Indenture" to build a three-story dormitory. There are $523,000 of bonds outstanding at June 30, 1990. They are due in varying annual installments (on October 1st) through 2006. The annual debt service for the year ended June 30, 1990, was $51,870. The maximum annual debt service requirement of $88,415 took place in the year ended June 30, 1985. The bonds bear interest from 2-3/4 percent to 3-1/2 percent per annum with semi-annual payment dates (April 1st and October 1st). The indenture requires that net annual earnings of the college's housing and dining system and fees pledged under the indenture be sufficient to make deposits to Bond Trustee Accounts in order that these accounts may meet current debt requirements and maintain a fixed reserve. The earning requirement was not met as of June 30, 1990. The net revenues of the college's housing and dining system, student union fees and student building fees are pledged to this indenture as long as required balances in trust accounts are maintained.

"1967 Indenture" to build a physical education building and install necessary equipment. There are $245,000 of bonds outstanding at June 30, 1990. They are due in installments (on July 1st) through 1997. The annual debt service for the year ended June 30, 1990, was $35,391. The bonds bear interest from 3 percent to 5-1/4 percent per annum with semi-annual payment dates (January 1st and July 1st). Annual earnings from fees and income pledged to this indenture must be sufficient to maintain a required balance in the sinking fund trust account. The earnings requirement was met as of June 30, 1990. The

necessary amount of Physical Education Building fees, land grant income and usage charges are pledged to the indenture to maintain required balances in the trust account.

"1985 Series F Loan" to finance the cost of acquisition and installation of computer hardware, computer software, and various other types of computer related equipment. There is $41,815 in principal payments outstanding on the loan as of June 30, 1990. They are due in semi-annual installments (June 15th and December 15) through 1992. The annual debt service for the year ended June 30, 1990 was $18,719.50. The loan bears interest at 7.75 percent and is funded through student computer fees.

"1985 Series A General Obligation Bond" to finance the costs of construction and equipping a swimming pool addition to the physical education facility. The bond proceeds amounted to $1,400,000 on July 24, 1985, with an average of 7.677 percent interest on the coupons. As of August 25, 1989, the swimming pool project was discontinued and the general obligation bond was reappropriated. Under the new agreement $280,000 was appropriated to Western for planning of a Student Union Building remodeling project and roof replacement on the Physical Education Building. The unspent bond proceeds were reappropriated to other agencies for the Long Range Building Program. Principal and interest paid in 1990 was $23,389.59. Initial payment was due August 25, 1985, and continues on the 25th of each month thereafter until bond maturity on August 1, 2000. The maximum annual debt service requirement of $11,574.25 will occur in fiscal year 1998-99. While the bonds remain the general obligation of the State of Montana, the Board of Regents have entered into an agreement which obligates Western Montana College to pay the State Treasurer an amount sufficient to pay the principal and interest due on the bonds. Revenues derived from land grant income, building fees, and usage charges are pledged to pay the obligation. There remains $74,091 in principal payments outstanding on the bonds as of June 30, 1990.

The college entered into various installment purchase contracts to purchase major equipment. The total principal amount outstanding at June 30, 1990, is $9,975.00. The College is also obligated to pay principal and interest on a telecommunications system purchased for Western's campus by Department of Administration,

Telecommunication Bureau, on July 1, 1984. According to the terms of the contract, the Department of Administration purchased $499,132.68 of telecommunications equipment due in monthly installments for a period of ten years with interest accruing at a rate of 11.5 percent per year. The scheduled monthly payments of principal and interest amount to $7,262.54. Prior to June 30, 1990, the telecommunications equipment was erroneously reported on the College's financial statements.

The college records interest expense on these bonds when paid. The recognition of accrued interest would not have a material effect on the college's over-all financial position.

The annual principal payments for all bond requirements are as follows:

Fiscal Year	1966 Indenture	1967 Indenture	1985 Loan	1985 G.O. Bond
1991	$ 35,000.00	$ 27,000.00	$15,779.00	$ 4,997.00
1992	35,000.00	28,000.00	17,025.00	5,639.00
1993	35,000.00	29,000.00	9,011.00	6,002.00
1994	35,000.00	30,000.00	-0-	6,337.00
1995	40,000.00	31,000.00	-0-	6,979.00
1996-2006	343,000.00	100,000.00	-0-	44,137.00
TOTALS	$523,000.00	$245,000.00	$41,815.00	$74,091.00

NOTE 7 - INVESTMENT IN PLANT

Physical plant, equipment, and library books are stated at cost or historically based appraisal values. Depreciation on physical plant and equipment is not recorded. Equipment costing less than $1,000 is excluded from the financial statements. Prior to Fiscal Year 1990, equipment costing $200 or more was capitalized and included on the financial statements. Beginning in Fiscal Year 1990 items costing $200-999 were deleted. The effect of this change in accounting policy was a reduction of $851,928 in valuation of equipment on the financial statements.

NOTE 8 - RETIREMENT PROGRAMS

The Montana University System offers new members of faculty and professional staff a choice of retirement systems. Academic and professional employees with contracts under the authority of the Board of Regents may choose either the Montana Teachers' Retirement System (TRS) or the Optional Retirement Program (ORP), which is available through the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). The University System makes a similar employer contribution to the selected plan. All other employees are provided retirement benefits through the Montana Public Employee's Retirement System (PERS). Membership in one of the three available plans is compulsory.

The (TRS) and (PERS) plans are operated by the state. Both plans are defined benefit retirement plans. Upon retirement, the monthly annuity is calculated by using a formula that includes average final compensation and years of creditable service as variables. The actuarial present value of vested benefits and the amount, if any, of unfunded past service costs for employees covered under the plans was determined to be actuarily sound as reported by the system's actuary at June 30, 1989, for the Teachers' Retirement System, and at June 30, 1990, for the Public Employees' Retirement System.

The Optional Retirement Program was created by an act of the Legislature in 1987 and is a defined contribution retirement plan. Under a defined contribution plan, the regular contributions to the plan are determined in advance as a percentage of employee salary. The benefits actually

received at retirement will depend on the amount of contribution, the amount of investment gains and losses, the employee's life expectancy at retirement, and the retirement income option selected. The Board of Regents selected TIAA-CREF as the organization to provide annuities under the ORP.

Information as of June 30, 1990

	PERS	TRS	ORP (TIAA-CREF)
Covered Payroll	$ 996,628	$2,028,681	$ 249,702
Total Payroll	4,162,801	4,162,801	4,162,801
Employer Contributions	63,954	151,320	7,381
Percent of Covered Payroll	6.417	7.459	2.956
Employee Contributions	61,293	142,900	17,589
Percent of Covered Payroll	6.150	7.044	7.044

NOTE 9 - STUDENT FTE

SCHEDULE OF FULL-TIME EQUIVALENT (FTE) STUDENTS
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1990

Semester	Year	Undergraduate FTEs Reported 1	Graduate FTEs Reported2	Total FTEs Reported
Summer	1988	121	49	170
Autumn	1988	877	12	889
Spring	1989	848	8	856
Summer	1989	101	1	102
Autumn	1989	827	0	827
Spring	1990	824	1	825

[1] Undergraduate quarterly credit hours divided by 15.

[2] Graduate quarterly credit hours divided by 12.

College Response

The University of
Montana

Office of the President
The University of Montana
Missoula, Montana 59812-1291
(406) 243-2311, FAX (406) 243-2797

May 21, 1991

MAY 22 1991

Scott A. Seacat
Legislative Auditor
Room 135, State Capitol
Helena, MT 59620

Re: Audit Response

Dear Scott:

Enclosed please find the responses to audit recommendations at Western Montana College of The University of Montana. As you will see in our responses, The University of Montana and Western Montana College personnel have been working diligently to improve the accounting records and internal controls at the College.

We appreciate the advice and assistance of the auditors in helping to identify problem areas, and will look forward to having all recommendations implemented in the coming year.

Sincerely,

George M. Dennison
President

gmd/mcs

Enclosure

cc: John Hutchinson, Commissioner of Higher Education
Mike Easton, Provost, Western Montana College

gmdmemo.26

RECOMMENDATION # 1

WE RECOMMEND THE COLLEGE:

A. RECORD BAD DEBT EXPENSE ON THE ACCOUNTING RECORDS IN THE APPROPRIATE FISCAL YEAR.

RESPONSE:

WESTERN MONTANA COLLEGE OF THE UNIVERSITY OF MONTANA CONCURS WITH THE RECOMMENDATION. The College reviewed the receivables for Fiscal Years 1983 through 1988 and determined the percent of tuition and fee revenue that historically has been uncollectible is .86%. That percentage will be used to calculate current year bad debt expense and an equivalent amount will be recorded in the current year as bad debt expense.

The College has identified $35,850 of uncollectible accounts that relate to FY 1983 through FY 1988 activity. A plan has been developed for the College to expense prior year's bad debt expense over a period of four years, or approximately $9,000 per year, until the total amount has been written off the records.

B. COMPLY WITH SECTION 17-7-304, MCA, AND RETURN $34,884 TO THE GENERAL FUND.

THE COLLEGE DISAGREES WITH THE RECOMMENDATION. The College has recorded prior year's bad debt expense each year to the extent funds were available at year-end. To record the total amount in one year would have resulted in a non-budgeted negative fund balance. Since the accumulated bad debt expense related to prior year activity, we believe the expense was appropriate to the extent funds were available.

As mentioned in 1A above, procedures have been developed to reduce the bad debt expense in accordance with accepted practice.

RECOMMENDATION #2

WE RECOMMEND THE COLLEGE DETERMINE AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS BASED ON AN ANALYSIS OF ACCOUNTS RECEIVABLE.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The University of Montana personnel are assisting the College to develop appropriate computer programs that will provide accurate reports of aged receivables. The computerized BANNER Student

Records System includes program modules that detail accounts receivable and provide this information. Those programs are currently being modified as necessary by The University of Montana personnel and the College's computer personnel to meet the College's requirements.

RECOMMENDATION #3

WE RECOMMEND THE COLLEGE:

A. PERIODICALLY RECONCILE THE SUBSIDIARY DETAIL RECORDS TO SBAS AND RECORD ADJUSTMENTS ACCORDINGLY.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. This recommendation relates to Perkins Loan activity in which the subsidiary detail records are maintained by University Accounting Service (UAS). UAS is a national firm that monitors and administers Perkins Loan funds for the College. The College is currently completing a reconciliation of those subsidiary detail records to SBAS for Fiscal Year Ending 1990.

As of this date, $209.53 remains to be reconciled. The FY 90 reconciliation will be completed and adjustments made to SBAS by June 30, 1991.

FY 91 reconciliation efforts will begin immediately after FY 90 records are adjusted. The records will be reconciled and adjustments made to SBAS no later than October 1, 1991.

B. RECORD PENALTY AMOUNTS RECEIVED AS REVENUE.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. Errors in recording penalty amounts have been corrected for all accounts that indicate negative receivable balances. The Financial Aid staff is analyzing all other accounts to determine any additional correcting entries required. All corrections will be identified and appropriate entries recorded in SBAS by June 30, 1991.

Recent changes in collection procedures will prevent this problem in the future.

C. ADJUST SBAS AMOUNTS FOR LOANS ASSIGNED TO THE FEDERAL GOVERNMENT.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. SBAS records

have been adjusted for the loans assigned to the Federal government. This activity will be recorded in SBAS as the College is notified by the UAS monthly reports. The Financial Aid Office will receive the reports from UAS and forward this summarized data to the accountant in the Business Office for recording on SBAS. When the SBAS reports for the month are generated, the Financial Aid Office personnel will receive a copy and verify that the data have been entered and agree with UAS.

RECOMMENDATION #4

WE RECOMMEND THE COLLEGE PERIODICALLY RECONCILE THE SUBSIDIARY DETAIL LEDGERS FOR STUDENT ACCOUNTS AND SHORT TERM LOAN RECEIVABLES TO SBAS.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The College plan for addressing this recommendation is in three stages:

1. To reconcile FY 1990;
2. To develop systems and procedures to automate the reconciliation process for FY 92; and
3. To reconcile FY 91.

Since March 1991, The University of Montana has assigned additional personnel to assist the College with the receivable reconciliation process for FY 90 receivables. The reconciliation for receivables at June 30, 1990, is complete and adjusting entries have been recorded in SBAS.

In addition, The University of Montana computer and accounting staff are assisting the College to develop a systematic reconciliation process which will enable the College to reconcile the BANNER Student Records System with SBAS on a monthly basis. To achieve this result, the receivables and short term loan subsidiary records must be entered into the BANNER System. This process will be completed by June 30, 1991.

Procedures are also being developed to ensure that data entered into the system will result in accurate report generation. Reconciliation work sheets are being developed to document the reconciliation process on a monthly basis.

FY 91 subsidiary detail records have not yet been reconciled. As final entries are recorded for FY 90 and the process for recording information in BANNER and SBAS is implemented for FY 92, efforts will be focused on reconciling FY 91. Reconciliation of FY 91 activity will begin in July 1991 and all entries necessary to bring the accounts into balance will

be completed by the Controller no later than December 31, 1991.

RECOMMENDATION #5

WE RECOMMEND THE COLLEGE ESTABLISH POLICIES AND PROCEDURES TO ENSURE COMPLIANCE WITH STATE POLICY REGARDING CASH CHANGE FUNDS.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. With assistance from The University of Montana personnel, the College is in complete compliance with cash change funds. Approval to maintain the non-treasury cash accounts has been obtained from the Accounting Bureau and the accounts have been recorded in SBAS accounting records. The University of Montana policies and procedures for change and petty cash funds were reviewed, modified as appropriate, and adopted by the College.

Cash custodians have been identified by the Business Office and personnel from The University of Montana provided cash training for all custodians. That training was completed in April 1991.

A schedule for Business Office review of all cash and change funds has been established for FY 92 to ensure that the College maintains compliance with State policy. The University of Montana Internal Auditor performed a compliance audit after controls were implemented and policies were adopted. The College has implemented the recommendations made by the Auditor. The University will perform annual audits of all cash and change funds.

RECOMMENDATION #6

WE RECOMMEND THE COLLEGE

A. COMPLETE THE FIXED ASSET COUNT BEGAN BY UM PERSONNEL AND ADDRESS CONCERNS NOTED IN THEIR REVIEW.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The University of Montana personnel performed an inventory of the College's Fixed Assets as of June 30, 1990. Of the original 215 items recommended for further review, only 9 items with a total value of $17,161 remain to be addressed as to location and status. College personnel will complete this review by May 31, 1991. Except for the 9 items mentioned above, all entries have been recorded in SBAS.

Additions to Fixed Assets for items acquired in FY 91 will be recorded in SBAS by June 30, 1991.

The University of Montana policies and procedures governing Fixed Assets are being reviewed and modified for use by the College. As those policies and procedures are refined to meet the College's requirements, copies will be distributed to all departments responsible for Fixed Assets.

College personnel in accounts payable and central receiving have been assigned the responsibility to monitor new equipment purchases and make necessary changes to the accounting records. The process will be monitored by the College accountant and reviewed by The University of Montana personnel on an annual basis.

The College has developed procedures for an on-going inventory schedule so that specific areas will be inventoried within prescribed time frames. Discrepancies will be addressed and appropriate adjustments made to SBAS and the detailed property system annually to insure integrity and accuracy of the inventory records.

B. RECORD ALL PROPERTY ITEMS ON THE ACCOUNTING RECORDS AND PERIODICALLY RECONCILE THE SUBSIDIARY RECORDS TO THE GENERAL LEDGER.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The subsidiary records have been reconciled to SBAS as of June 30, 1990 with appropriate adjusting entries made in March 1991. The College will record all property items on the accounting records and reconcile the detailed property inventory records to SBAS on an annual basis.

C. PERFORM AN INVENTORY OF THE LIBRARY BOOKS AND ADJUST THE ACCOUNTING RECORDS TO REFLECT THE CURRENT LIBRARY INVENTORY VALUE.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The College's Library personnel, with additional temporary assistance will complete an inventory of library books by mid-June, 1991. A schedule has been established to inventory the books every two years.

D. COMPLY WITH STATE PROPERTY ACCOUNTING POLICY BY ASSIGNING PROPERTY NUMBERS AND AFFIXING TAGS TO ALL PROPERTY ITEMS.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The College has delegated to identified personnel in physical plant and central receiving the responsibility for assigning property numbers and affixing tags to all property items. Annual reviews will be performed by Business Office personnel during on-going inventories to monitor compliance with State policy.

RECOMMENDATION #7

WE RECOMMEND THE COLLEGE REORGANIZE ITS CONTROL PROCEDURES TO ENSURE TIMELY PAYMENT OF CLAIMS.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. For the most part, the payment process is done in a timely manner and discounts are taken. There are exceptions. These concerns have been addressed with those departments responsible for slow turnaround time. A more aggressive turnaround time will be initiated for departments and individuals to return their approval-for-payment notices within the time frame established by the Business Office. At present, a scheduled cut-off date for response is recorded in the invoice log and follow-up is done with the departments when they are late. By speeding up the turnaround and requiring responses in accordance with the logged dates, the College will eliminate this problem.

RECOMMENDATION #8

WE RECOMMEND THE COLLEGE ENSURE IT COMPLIES WITH STATE PURCHASING POLICIES.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The College has promulgated a purchasing policy to all faculty and managers during a fall meeting and will continue to do so. However, the College honored some claims in the past because the items, even though ordered contrary to established policies and procedures, had been received and the vendors were waiting for payments. The College has notified often-used vendors not to accept orders without proper purchase documentation. In the future, the College will notify vendors of non-documented invoices and warn against repetition of such irregularities. Employees who make purchases without proper process will be notified in writing on the first instance, with more serious action for multiple offenses.

RECOMMENDATION #9

WE RECOMMEND THE COLLEGE PREPARE AN INTRAFUND CASH ELIMINATION ENTRY ON SBAS AT FISCAL YEAR-END IN COMPLIANCE WITH STATE ACCOUNTING POLICY.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The intra-fund cash elimination entry will be identified and recorded on SBAS effective with the 1990-91 Fiscal Year End transactions. The Controller and Staff Accountant will review the fiscal year-end procedures from the Accounting Bureau to insure each procedure is addressed.

RECOMMENDATION #10

WE RECOMMEND THE COLLEGE STRENGTHEN EFFORTS TO BRING THE HOUSING AND DINING FACILITIES TO A PROFITABLE POSITION AND ELIMINATE THE FUND BALANCE DEFICIT IN THE 1966 REVENUE BOND OPERATING ACCOUNT.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. At June 30, 1990 the fund balance in the 1966 operating account was ($89,684). Of this total, approximately $23,000 is attributed to the liability for compensated absences. The College has reduced the level of expenditures for the 1967 Bond Indenture to provide sufficient funds to transfer an amount equal to the deficit from the 1967 Indenture to the 1966 operating account, thereby eliminating the deficit by June 30, 1991.

The College has attempted to bring the housing and dining facilities into a profitable position by increasing room rates five percent and board rates six to eight percent in FY 91. Those rates will be increased again by five percent in FY 92. In addition, personal services expenditures will be reduced in the 1966 operating account in FY 92.

The College is also exploring the option of refinancing the 1966 and 1967 Bond Indentures. This will result in one indenture with strong cash flows and adequate revenues to cover all operating expenses.

RECOMMENDATION #11

WE RECOMMEND THE COLLEGE USE ITS STANDARD CONTRACT WHEN ENTERING INTO ANY CONTRACT FOR PERSONNEL SERVICES.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. Departments have been directed to use the proper personal services contracts. This policy is included in the College's policy and procedures manual which is distributed throughout campus. The problems and concerns discovered during the audit have been corrected.

RECOMMENDATION #12

WE RECOMMEND THE COLLEGE:

A. IMPLEMENT PROCEDURES TO ENSURE SBAS ACCURATELY REFLECTS THE FINANCIAL ACTIVITY FOR PERKINS LOANS AT FISCAL YEAR END.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. Problems in this area occurred as the result of converting subsidiary detail information to the University Accounting Service. This problem has been addressed in Recommendation 3A. Financial activity relating to Perkins Loans has been reconciled with the exception of $209.53, which will be reconciled by Fiscal Year End.

Monthly reports are received in the College's Financial Aid Office from the loan management service. These reports will be reconciled each month by Financial Aid personnel and appropriate adjustments submitted to the accounting office to be entered in SBAS accounting records.

B. PREPARE THE FISAP REPORT BASED ON ACCURATE FINANCIAL INFORMATION.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The College has corrected the FISAP report in question and resubmitted the report to the Department of Education. The College Financial Aid Office will reconcile with the accounting office monthly and ensure that accurate information is entered in the FISAP report.

RECOMMENDATION #13

WE RECOMMEND THE COLLEGE COMPLY WITH FEDERAL REGULATIONS REQUIRING STUDENTS TO MAINTAIN SATISFACTORY PROGRESS IN ORDER TO RECEIVE FINANCIAL AID.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION, BUT DOES NOT AGREE WITH THE SPECIFIC CASE CITED IN THIS REPORT. The College has adopted the same satisfactory progress policy used at Eastern Montana College. The College policy recently underwent Federal review and was found to be acceptable. Additionally, the College has formed an appeals committee so that challenges to the policy, submitted by students, can be dealt with accurately and equitably.
WITH REGARD TO THE SPECIFIC CASE CITED, THE COLLEGE DOES NOT AGREE. Beginning in 1986-87, professional judgment has been exercised by the Financial Aid Director to allow for circumstances deemed out of the student's control. Documented evidence of these judgments was provided.

Supported by doctor's letters and phone conversations, the Director determined that the student should continue to receive aid and suggested that the student's credit load should be reduced. While there is not paper documentation to substantiate all judgments in this case, it is evident that this student did suffer from a continuing illness. The student has since had all aid terminated as the duration of eligibility was met.

Federal regulations give the discretion of professional judgment to Financial Aid administrators for special circumstances. It is our belief that these judgments were implemented reasonably and fairly.

RECOMMENDATION # 14

WE RECOMMEND THE COLLEGE ENSURE STUDENTS SIGN THE PROMISSORY NOTES FOR FINANCIAL AID AS REQUIRED BY FEDERAL REGULATIONS.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The College does insure that all promissory notes are signed. The single unsigned note found during the field study has since been signed. Financial aid procedures have been reviewed and revised to include a second review of documents prior to disbursement of funds.

RECOMMENDATION # 15

WE RECOMMEND THE COLLEGE DOCUMENT THAT THE STUDENT HAS COMPLIED WITH REQUIREMENTS OF SELECTIVE SERVICE AND SUBMIT A SIGNED STATEMENT OF EDUCATIONAL PURPOSE.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The Financial Aid Award Letters now include the appropriate statements, as do the Student Aid Reports.

RECOMMENDATION # 16

WE RECOMMEND THE COLLEGE FILE THE PERKINS LOAN PROMISSORY NOTES SEPARATE FROM THE STUDENT AID FILES IN A LOCKED FIREPROOF AREA.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. The recommendation has been implemented.

RECOMMENDATION # 17

WE RECOMMEND THE COLLEGE NOTIFY THE ATTORNEY GENERAL AND THE LEGISLATIVE AUDITOR OF ANY ACTUAL OR SUSPECTED THEFT IN COMPLIANCE WITH STATE LAW.

RESPONSE:

THE COLLEGE CONCURS WITH THE RECOMMENDATION. A new theft reporting policy has been written and included in the College's policy and procedures manual and distributed to all employees. The Controller will report all thefts in a timely manner in accordance with State law.

s/doc. 7